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No foreclosure help for AZ and brokers look into 2009

Inside Tucson Business

By Joe Pangburn, Inside Tucson Business

Don't expect President Obama's plan to rescue troubled mortgage holders to have much impact on Arizona.

That's the opinion of state Treasurer Dean Martin who spoke at the Pima County Real Estate Research Council annual event March 3.

"With his plan, you can't be more than 105 percent loan to value," Martin said. "Well in Arizona we've seen values drop up to 30 [percent] and 40 percent. Even if you purchased your home and had 20 percent equity in it before this, you are too far out to be helped by this plan."

Martin did say, however, there would some good that would come of the plan.

"It will mostly help those markets that haven't been hit that hard," he said. "Mostly, that's the Midwest. But it will help someone in Minnesota who is now able to sell their home and move to Arizona. That's where we will see the most benefit from it."

During the broker roundtable, various speakers gave a report about what they expect this year in multifamily, industrial, retail, land and office.

Retail

George Larsen, principal with Larsen Baker, reminded those in attendance of inspirational speaker Tommy Hopkins saying when someone asks how business is: "It's unbelievable."

"We had a bad 2008 and we know that, so let's move on," Larsen said.

He gave a list of negatives for 2008 and 2009 including:

- o Retail sales are off 10 percent to 50 percent around the country.
- o Retailers will cut their expansion plans for 2009, some by 50 percent.
- o New loans and refinancing will be more difficult and at a 9 percent cap rate.
- o Deal volume is down.
- o There will be negative absorption in 2009.

But then he delivered his list of positives for the sector:

- o Nationwide less than 2 percent of commercial loans are delinquent.
- o Less than 8 percent of our tenants have asked for concessions.
- o There are bankers still making loans.
- o Tucson is not overbuilt.
- o New tenants are coming and others are expanding, he said, specifically noting QuikTrip, Costco, Sam's Club and CVS Pharmacy.

Land

Jim Marian, partner with Chapman Lindsay, said total land sales dropped to \$200 million last year from \$800 million four years ago. And the two largest land purchases last year were made by Pima County government.

"Last year was the first year there was a major impact from foreclosures," Marian said. "It made up 25 percent of all sales."

He said there is money on the sidelines waiting to purchase but there are two questions investors are waiting to have answered:

- o When will home prices firm?
- o How long will I have to hold the land before I can count on sales?

Multifamily

Art Wadlund, a partner with Hendricks and Partners, said apartments are poised to do well, in 2011.

So far, there have been no sales this year. There were seven sales last year, 26 in 2007 and 56 in 2006.

"Apartment sales are off 85 to 90 percent nationally," Wadlund said. "Buyers are scared."

Industrial

Stephen Cohen, principal with Picor Commercial Real Estate Services, said there are opportunities in industrial real estate. "There are 34 properties available right now that are over 30,000 square feet," he said. "There was almost nothing available in this range two years ago. I expect investment activity to increase. There will be very little foreclosures in industrial."

Office

Tari Auletta, principal with Synergy Commercial Real Estate, said the 14.9 percent vacancy rate in office space, while larger than what it has been, is still acceptable.

"When you compare it to what we've seen before where vacancy rates were 23 percent or more, this isn't so bad," she said.

Auletta said there is no sense of urgency for buyers or prospective tenants to get deals done right now. But tenants are wanting to renew.

"Tenants are wanting to renew their leases early," she said. "They are asking for lower rates and their base year reset."

Auletta told the audience to remain positive during this time. "This is not the time to be optimistic, but we can easily be positive."

Planning commission sends parking changes to council

The City of Tucson's Planning Commission is recommending changes to the Land Use Code to allow for reduced parking requirements for commercial spaces.

The proposed changes include:

- o No changes in parking requirements are needed if the continuing use of a commercial building is similar to the previous use without expansion.
- o The calculations for parking for service, retail and civic uses would be changed to one space for every 333 square-feet of gross floor area, from one space for every 200 square-feet.
- o Property owners would be able to use licensed design professionals to create parking calculations specific to the circumstances on the site so long as a "parking nuisance" isn't created in the immediate area.

The city's planning commission staff concluded the proposed parking reductions provide property owners of underused buildings an alternative to demolishing those buildings or allowing the site to remain vacant.

The City Council will hold a public hearing on the changes, probably in late April or early May, before voting on them.

1 in 5 mortgages are upside-down

Call it underwater, upside-down or holding negative equity, nearly 20 percent of all mortgage holders in the Tucson region were that way at the end of 2008.

According to data from First American CoreLogic, based in Santa Ana, Calif., there were 36,122 properties in the Tucson region that had negative equity at the end of December. And another 10,641, almost 6 percent, were close to that.

Tucson is on par with CoreLogic's national numbers showing 20 percent of all mortgages - 8.3 million - had negative equity at the end of the year. Similarly, 2.2 million, about 5 percent, were close to it.

Thanks largely to the situation in the Phoenix area, Arizona has the fifth highest amount of negative equity mortgages in the country at 408,000. It is behind California (1.9 million), Florida (1.28 million), Texas (497,000) and Michigan (459,000).

Tour of foreclosures

In an effort to bring buyers to deals, Win3 Realty is taking buyers on a tour of Tucson's north and northeast areas March 14 to highlight some of the bargains. The plan is that most, if not all of the homes displayed on the home tour, will foreclosures or short sales.

"Buyers should be sure to get the good deals before they're gone," said Bob Zachmeier, owner of Win3 Realty. "We have had an average of 200 buyers calling our office per week to request showings."

The tour will be from 9 a.m. - noon. Information about the tour is online at www.ForeclosureTourofTucson.com.

Toll Brothers offers mortgage protection

Knowing job security and consumer confidence are low, home builder Toll Brothers Inc. has introduced a "Mortgage Protection Plan" which offers to pay home buyers' mortgages in the event of a job loss.

The Mortgage Protection Plan is available at no charge to buyers who sign an agreement of sale on or after Feb. 20, and who finance their new home through TBI Mortgage Company. The plan will cover up to \$2,500 in monthly mortgage payments for six months if the homeowner suffers a covered job loss within the first two years after closing on a new Toll Brothers home.

KB Home is 'most admired' builder

Fortune Magazine ranked KB Home the No. 1 homebuilder on its "World's Most Admired Companies" list.

"This is a tribute to our team's total dedication to quality, innovation and sustainability as we focus on meeting the needs of our customers, employees and shareholders," said Jeffrey Mezger, president and chief executive officer of KB Home.

The survey covers 64 industries: 25 international industries and 39 primarily United States-market industries. To create the 64 industry lists, Hay Group asked executives, directors, and analysts to rate companies in their own industry on nine criteria, from investment value to social responsibility.

The article is in the March 16 issue of Fortune due to hit newsstands today (March 9).

Cedar Springs Ranch sells out in a weekend

The developers of Cedar Springs Ranch north of Willcox sold all 53 of their available lots at a special sales event over the weekend of Feb. 7 and 8 which saw more than 200 potential buyers come out to see the 3,000-acre property. The lots were sold in sizes ranging from 36 acres to 120 acres.

"We expected a strong weekend, but we had no idea we'd sell the entire property in 48 hours," said Gary Sumner, president of Arizona Land & Ranches. "Everything we had on Friday was gone by Monday. That may be a record for us."

Helping the firemen stay on Target

Before demolishing the Target store at 4040 N. Oracle Road, Adolfson and Peterson Construction let the Tucson Fire Department use it for live training exercises.

"Stores like this present unique hazards to firefighters because large amounts of smoke and fire can travel and spread unnoticed through the attic space," said Richard Hyatt, battalion chief for the Tucson Fire Department. "This is a valuable opportunity that allows us to drill with that scenario in mind. We really

appreciate Target and Adolfson and Peterson giving us this opportunity."

Adolfson and Peterson will be building a Super Target store in it's place. It is scheduled to be open in October.

Retail stores open in La Posada Friday

The Shoppes at La Posada are set to open the doors Friday (March 13).

Located within La Posada, a retirement community in Green Valley, the Shoppes at La Posada include: the Vensel Treasure Shoppe, Posada Java, Posada View, and the Barber Shoppe.

From 1 p.m. to 5 p.m. on Friday, March 13, there will be a grand opening celebration where guests can enjoy free refreshments from Posada Java. Gift baskets will be given away every half-hour.

Retirement community opens new phase

The retreat at Santa Rita Springs is opening the first phase of 28 new casitas.

The independent living community, 661 W. Calle Torres Blancas, Green Valley, consists of 160 apartments and 36 casitas. It welcomed its first residents on January 31.

The active retirement community features a clubhouse, fitness center, billiards, surround-sound mini theatre, heated pool and spa, patios and ramadas for outdoor entertaining. It is managed by Watermark Retirement Communities of Tucson.

Worth noting

o Nicolosi & Fitch Inc. agreed to a five-year term lease for 3,032 square feet at Da Vinci Plaza, a two-story, multi-tenant office building at 5501 N. Swan Road from Da Vinci Plaza LLC. Nicolosi & Fitch Inc., a commercial and multi-family housing property management firm, plans to relocate its headquarters in March 2009 from its present location at 1605 N. Wilmot Road. David A. Volk with CB Richard Ellis represented the landlord.

o Skybox Restaurant & Bar leased the 5,021 square foot space at 5605 E. River Road suite 201C on the northeast corner of River and Craycroft roads from Larsen Baker. Skybox Restaurant is a full service restaurant featuring fine food and a sports lounge. They are scheduled to open for business this month. Andy Seleznov with Larsen Baker represented the landlord.

Submit items for Real Estate & Construction to jpangburn@azbiz.com. This feature appears weekly.

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